

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT – PROMOTIONS AND
FIRST-CLASS MAIL PARCELS

Docket No. R2016-5

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1, QUESTIONS 1-2**
(June 3, 2016)

The Postal Service hereby files its responses to questions 1 and 2 of
Chairman's Information Request (CHIR) No. 1, issued on May 25, 2016. Each
question is stated verbatim, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

John F. Rosato
David H. Rubin
Ashley Silberhorn

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1135
(202) 268-2986, FAX: -6187

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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Inbound Letter Post

1. The following requests concern the calculation of revenue for Inbound Letter Post from certain countries, which is used to derive the percentage change in price for Inbound Letter Post. Please refer to Library Reference USPS-LR-R2016-5/NP1, May 16, 2016 (First Class Mail International Workpapers (Nonpublic)), Excel file "Inbound CAPCALC-FCMI-R2016.xlsx," tabs "Inbound FCMI Rates," "IB FCMI Revenue Calculation," and "Air Conveyance Revenue."
 - a. Please refer to Universal Postal Union (UPU) International Bureau Circular 80, dated May 2, 2016, which includes the final quality-of-service linked terminal dues for Calendar Year (CY) 2015.²
 - i. Please explain why the Postal Service used the provisional quality-of-service linked terminal dues in place of the final terminal dues rates in Library Reference USPS-LR-R2016-5/NP1.³
 - ii. Please provide amended workpapers that incorporate the final quality-of-service linked terminal dues in place of the provisional terminal dues.
 - b. Please refer to the UPU Country Groups and associated terminal dues for the following Summary of International Revenue and Volume, Outbound and International Origin Destination Information System (SIRVO) Country Codes: 713, 719, 720, 738, 758, 791, 868, 933, 936, and 966.
 - ii. Please confirm that each of the above Country Groups and its associated terminal dues are consistent with the decisions of the 2012 Doha Congress.⁴
 - iii. If not confirmed, please explain each apparent discrepancy. If applicable, please file amended workpapers.
 - c. Please refer to the UPU Country Groups for the following SIRVO Country Codes: 730, 753, 769, 801, 829, 832, 836, 872, 874, 881, 903, 929, 939, 940, 941, and 942.
 - i. Please confirm that each of the above UPU Country Groups is correct.
 - ii. If not confirmed, please file amended workpapers.
 - iii. Please provide the source of each of the above UPU country groups.

² Universal Postal Union, International Bureau Circular 80, Final 2015 quality of service-linked terminal dues rates, May 2, 2016, at Annex 1, Tables 1.1, 1.2, and 2.2.

³ See e.g., Library Reference USPS-LR-R2016-5/NP1, Excel file "Inbound CAPCALC-FCMI-R2016.xlsx," tab "Inbound FCMI Rates," cells B13, B30, B47, and B62 (citing Universal Postal Union, International Bureau Circular 112, Provisional 2015 quality of service linked terminal dues rates, June 30, 2014, at Annex 1, Tables 1.1, 1.2, and 2.2).

⁴ Universal Postal Union, Compendium of Congress decisions from 1947 (Paris) to 2012 (Doha), Resolution C 77/Doha 2012, Classification of countries and territories for terminal dues and Quality of Service Fund (QSF) purposes, 180-192;
http://www.upu.int/uploads/tx_sbdownloader/actCompendiumDecisionsCongressEn.pdf.

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- d. Please refer to Article 34, paragraph 6 of the Universal Postal Union Letter Post Manual, which states "...where the terminal dues levied by the designated operator of destination are based specifically on costs or on domestic rates, no additional reimbursement for internal air conveyance shall be made."⁵
 - i. Please confirm that the terminal dues for the countries listed in UPU Country Group 1.1 are based on domestic rates and will not receive additional reimbursement for internal air conveyance charges. If confirmed, please explain why the workpapers' calculation of internal air conveyance revenue includes weight for the countries listed in UPU Country Group 1.1. If applicable, please file amended workpapers.
 - ii. If not confirmed, please explain why the terminal dues for the countries listed in UPU Country Group do not already include air conveyance charges.

RESPONSE

- 1.a.i. At the time that the Postal Service prepared the financial workpapers for this filing, the Postal Service did not yet have the final CY 2015 quality-of-serviced linked terminal dues rates that were published on May 2, 2016.
- 1.a.ii. The revised inbound workpapers, which include the final CY 2015 quality-of-service linked terminal dues published in International Bureau Circular 80, dated May 2, 2016, are being filed today as USPS-LR-R2016-5/NP2. The impact on the entire First-Class Mail class is provided in a revised USPS-LR-R2016-5/1, also being filed today. Price cap usage increases from 0.046 percent in the May 16, 2016 filing to 0.076 percent, still well under the CPI cap space that was available as of the filing date.
- 1.b.i. Confirmed only for Country Code 868.

⁵ International Bureau of the Universal Postal Union, Universal Postal Convention Letter Post Manual, 4th ed., January 1, 2016, at Art. 34, ¶ 6.

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- 1.b.ii. For the other UPU Country Groups listed in the question, country groupings were taken from the groupings listed in the Docket No. R2015-4 inbound library references from the Postal Service and Postal Regulatory Commission.⁶ The revised inbound workpaper filed with this response as USPS-LR-R2016-5/NP2 includes revised country group listings, according to the Country Classification List amended by the 2013 Council of Administration subsequent to the 2012 Doha Congress decision.
- 1.c.i. Confirmed only for Country Code 730.
- 1.c.ii. The country groupings in the workpapers filed in USPS-LR-R2016-5/NP1 were taken from the groupings listed in the Docket No. R2015-4 inbound library references from the Postal Service and Postal Regulatory Commission.⁷ Of the UPU Country Groups listed in Question 1.c., 730 was the only country group with any FY 2015 foreign origin volume and weight to influence the revenue calculations. The revised inbound workpaper filed with this response as USPS-LR-R2016-5/NP2 includes revised country group listings.
- 1.c.iii. The source for these country groups is USPS International Postal Affairs. Country Codes 940, 941, and 942 refer to destinations that

⁶ See PRC Library Reference PRC-LR-R2015-4/2, Compliance Calculations for International Products in First-Class Mail, Docket No. R2015-4, February 24, 2015; and Notice of the United States Postal Service of Filing of USPS-LR-R2015-4/NP1, Docket No. R2015-4, January 15, 2015.

⁷ *Id.*

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are part of the Freely Associated States Compact that are treated
as domestic mail according to Domestic Mail Manual 608.2.2.

1.d.i. Confirmed. The revised inbound workpaper includes internal air
conveyance revenue calculations only for countries and territories
in Groups 3, 4, and 5.

1.d.ii Not applicable.

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2. Please identify which, if any, nations are asking the Postal Service to apply the downward revision mechanism for Inbound Letter Post.

RESPONSE:

2. The UPU Country Groups for SIRVO Country Codes 738 and 929 are asking the Postal Service to apply the downward revision mechanism for Inbound Letter Post.